

Message Text

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11

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 AGR-20 NEA-10 L-03 H-02 IO-12

PA-03 PRS-01 USIA-12 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

RSR-01 EUR-25 /209 W

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P 130403 Z APR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4429

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USADB

TREASURY FOR FINKEL

E. O. 11652: ADS, DECLAS 4/30/73

TAGS: EAID, EFIN

SUBJECT: TERMINATION OF AGRICULTURAL SPECIAL FUND

SUMMARY: ADB PROPOSES TO TERMINATE ADMINISTRATION OF AGRICULTURAL SPECIAL FUND AND TO TRANSFER ITS RESOURCES TO MULTI- PURPOSE SPECIAL FUND. SUBJECT SCHEDULED FOR 18 APRIL BOARD OF DIRECTORS MEETING. U. S. DIRECTOR PLANS TO SUPPORT.

1. ADB DOC R34-73 ENTITLED " TERMINATION OF THE AGRICULTURAL SPECIAL FUND" WAS POUCHED 12 APRIL.

2. BANK MANAGEMENT DESIRES TO TERMINATE ADMINISTRATION OF EXISTING AGRICULTURAL SPECIAL FUND (ASF) AND TO TRANSFER RESOURCES PRESENTLY ADMINISTERED IN ASF TO EXISTING MULTI- PURPOSE SPECIAL FUND (MSF). THIS WOULD

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BE IN LINE WITH OBJECTIVE THAT ALL RESOURCES GENERALLY AVAILABLE FOR FINANCING LOANS ON CONCESSIONAL TERMS SHOULD, IN DUE COURSE, BE CONSOLIDATED INTO SINGLE SPECIAL FUND.

3. PRESENT ASF RESOURCES CONSIST PRIMARILY OF CONTRIBUTIONS MADE IN 1969 BY JAPAN AND NETHERLANDS. BOTH GOVTS HAVE INDICATED WILLINGNESS TO AGREE TO SUCH TRANSFER OF RESOURCES INITIALLY CONTRIBUTED TO ASF, INCLUDING AMOUNTS DRAWN DOWN TO FINANCE LOAN OPERATIONS AND RESOURCES DERIVED THEREFROM. PROPOSED EXCHANGE OF LETTERS ANNEXED TO DOC R34-73 INDICATE THAT RESOURCES TO BE REALLOCATED TO MSF WOULD BE CONSOLIDATED WITH AND GOVERNED BY SAME TERMS AND CONDITIONS AS (A) REMAINDER OF JAPANESE CONTRIBUTION INITIALLY ALLOCATED TO MSF AND (B) CONTRIBUTION OF SIMILAR AMOUNT PREVIOUSLY MADE BY NETHERLANDS TO MSF. (PROPOSED LETTER FROM JAPANESE GOVT NOTES THAT SAME PRINCIPLE OF PROCUREMENT WILL APPLY TO REALLOCATED AMOUNT AS TO INITIAL ALLOCATION TO MSF.)

4. REMAINING RESOURCES IN ASF WOULD BE SMALL AMOUNT INITIALLY DERIVED FROM DANISH CONTRIBUTION ON LOAN BASIS UNDER CONTRIBUTION AGREEMENT DTD 1 APRIL 1969 (DOC R23-69). BY 1 APRIL 1972 BANK HAD DRAWN DOWN SOME \$15,000 EQUIVALENT WHEN WITHDRAWAL RIGHT TERMINATED, AND DANISH MADE NEW CONTRIBUTION TO MSF ON GRANT BASIS IN AMOUNT EQUIVALENT TO ORIGINAL CONTRIBUTION TO ASF. (SEE ADB DOCS R18-72 AND SEC. M23-72.) SINCE ORIGINAL CONTRIBUTION WAS MADE ON LOAN BASIS, BANK IS OBLIGED TO REPAY AMOUNTS DRAWN DOWN AND PROPOSES TO DO SO IN ADVANCE OF MATURITY, USING ACCRUED RESOURCES IN MSF. THIS WOULD DISCHARGE BANK'S LIABILITY TO DANISH GOVT AND DISPOSE OF LAST REMAINING RESOURCES IN ASF. THEREAFTER, RECEIVABLES PRESENTLY CREDITED TO DANISH CONTRIBUTION TO ASF WOULD ACCRUE TO MSF.

5. UPON COMPLETION OF TRANSACTIONS INDICATED PARAS 3 AND 4 ABOVE, BANK WOULD THEN TERMINATE ITS ADMINISTRATION OF ASF UNDER SECTION 8.01 (A) OF SPECIAL FUNDS RULES AND REGULATIONS. BANK RECOMMENDS THAT DIRECTORS APPROVE RESOLUTION AUTHORIZING BANK (A) TO MAKE ABOVE-MENTIONED ARRANGEMENTS WITH GOVT OF JAPAN AND NETHERLANDS FOR TRANSFER TO MSF OF RESOURCES INITIALLY CONTRIBUTED BY THEM TO ASF; AND (B) TO REPAY IN ADVANCE OF LIMITED OFFICIAL USE

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MATURITY AMOUNT DRAWN DOWN UNDER 1 APRIL 1969 CONTRIBUTION AGREE-

MENT WITH GOVT OF DENMARK, AFTER WHICH BANK SHALL TERMINATE
ITS ADMINISTRATION OF ASF AS OF DATE ON WHICH ABOVE TRANSACTIONS
ARE COMPLETED. SUBJECT SCHEDULED FOR 18 APRIL BOARD OF DIRECTORS
MEETING, AND U. S. DIRECTOR PLANS TO SUPPORT.
BYROADE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA04193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730442/aaaainmu.tel
Line Count: 124
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by shawdg>; APPROVED <22 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980114
Subject: TERMINATION OF AGRICULTURAL SPECIAL FUND
TAGS: EAID, EFIN
To: MANILA
SECSTATE WASHDC
TRSE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005